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GRANISLE
Copper Limited

13th Annual Report

GRANISLE COPPER LIMITED

DIRECTORS

J. H. Colton	W. G. Lane
M. A. Cooper	R. M. MacRae
T. G. Ewart	H. R. Malkin
J. H. Hawke	P. R. Matthew
K. Kawakami	L. T. Postle

OFFICERS

L. T. Postle	President
R. M. MacRae	Vice-President
P. R. Matthew	Vice-President
J. H. Colton	Secretary and Treasurer
J. D. Balden	Assistant Treasurer

MANAGER

G. B. Hardwicke

TRANSFER AGENT AND REGISTRAR

National Trust Company Limited
Vancouver, Winnipeg, Toronto and Montreal

SHARES LISTED

Toronto Stock Exchange
Vancouver Stock Exchange

AUDITORS

Peat, Marwick, Mitchell & Co.
Vancouver, British Columbia

HEAD OFFICE

1111 West Georgia Street, Vancouver
British Columbia

GRANISLE COPPER LIMITED

Vancouver, British Columbia
February 20, 1970

To the Shareholders:

The Thirteenth Annual Report of your Company is presented herewith.

During 1969, the price of copper reached unprecedented high levels and the net profit from the Company's activities amounted to \$10,487,596. A dividend of \$0.25 (Canadian) per share was paid in the 1st quarter and dividends totalling \$1.25 (U.S.) per share were paid during the remainder of the year. The change to U.S. currency was made in response to requests from numerous U.S. stockholders. The Company's three-year exemption from income taxes ended on November 30, 1969.

Details of the Company's production for the year, compared with 1968, are:

	1969	1968
Tons Ore Treated	2,329,857	2,230,210
Average Tons Treated per Day	6,383	6,093
Copper Content (%).....	0.60	0.68
Tons Waste Removed.....	1,143,014	877,316

Saleable Metal Produced:

Copper (Lbs.)	24,080,828	25,138,750
Gold (Ounces)	15,166	14,128
Silver (Ounces)	135,792	131,883
Average Copper Price Received per Lb.	71.0¢	53.0¢

A diamond drilling program to investigate the area around the ore body was started in mid-year so that more accurate mining plans could be prepared. A total of 26,000 feet was completed which located additional ore; at the year end, there was an established ore reserve of 25,700,000 tons with a 0.46% copper content.

Late in the year, an additional drilling program was started to investigate the ore body to depth. Three holes were drilled from the pit bottom to a depth of 620 feet below the present ore reserve limits, which confirmed that the ore continues in depth. This deeper ore is not included in the established ore reserves as insufficient data is available at this time.

The deep drilling program is continuing and is expected to be completed by the end of 1970.

GRANISLE COPPER LIMITED

During 1969 numerous improvements were made to the plant and equipment; the major capital expenditures were for the purchase of a new power shovel, enlarged concentrate handling and storage facilities, additions to the tailings disposal system, and additional residences in the town of Granisle.

The Directors wish to record their appreciation of the co-operation and faithful service of the employees, who have contributed to the progress of the Company.

On behalf of the Board,

L. T. POSTLE,

President.

PEAT, MARWICK, MITCHELL & CO.,
CHARTERED ACCOUNTANTS
900 WEST HASTINGS STREET
VANCOUVER 1
BRITISH COLUMBIA

Auditor's Report to the Shareholders

We have examined the balance sheet of Granisle Copper Limited as of December 31, 1969 and the statements of earnings, retained earnings and source and application of funds for the year then ended. Our Examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants
Vancouver, British Columbia
January 30, 1970

GRANISLE COPPER LIMITED

BALANCE SHEET

December 31, 1969

(With comparative figures for 1968)

ASSETS

	1969	1968
Current assets:		
Cash and short-term bank deposits.....	\$ 5,922,188	\$ 521,743
Accounts receivable.....	297,610	13,447
Metals in concentrates, at estimated realizable value	2,995,708	2,721,313
Materials and supplies, at cost.....	758,394	749,722
Prepaid expenses	29,224	18,398
Total current assets.....	10,003,124	4,024,623
Special refundable tax.....	—	115,844
Refundable power deposit	471,273	552,500
Property, plant and equipment:		
Mining and other properties, buildings and equipment, at cost	12,930,921	11,882,793
Less accumulated depreciation (Note 1)	3,318,260	2,419,556
Net property, plant and equipment.....	9,612,661	9,463,237
Mine development and pre-production expenditure,		
Less amortization of \$1,493,931 (Note 1)	895,453	1,373,419
	\$20,982,511	\$15,529,623

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
Current liabilities:		
Accounts payable and accrued charges.....	\$ 649,144	\$ 476,939
Provincial mining taxes payable	115,000	—
Total current liabilities.....	764,144	476,939
Shareholders' equity:		
Share capital:		
Shares of no par value. Authorized 4,000,000 shares; issued 3,329,919 shares	2,594,982	2,594,982
Retained earnings, per accompanying statement.....	17,623,385	12,457,702
Total shareholders' equity	20,218,367	15,052,684
	\$20,982,511	\$15,529,623

On behalf of the Board:

L. T. POSTLE, Director
T. G. EWART, Director

See accompanying notes to financial statements.

GRANISLE COPPER LIMITED

STATEMENT OF EARNINGS

Year ended December 31, 1969

(With comparative figures for 1968)

	1969	1968
Income:		
Value of production	\$18,004,672	\$14,142,323
Interest income.....	304,678	69,377
	18,309,350	14,211,700
Expenses:		
Cost of production, including		
administration	\$6,117,353	\$5,396,453
Depreciation	1,111,435	1,106,664
Amortization of pre-production		
expenditure	477,966	477,966
Interest expense.....	—	184,118
	7,706,754	7,165,201
Earnings before provincial		
mining taxes	10,602,596	7,046,499
Provincial mining taxes.....	115,000	—
Net earnings for the year	\$10,487,596	\$ 7,046,499
Net earnings per share	<u>\$3.15</u>	<u>\$2.12</u>

STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1969

(With comparative figures for 1968)

	1969	1968
Balance at beginning of year	\$12,457,702	\$ 6,243,683
Net earnings for the year	10,487,596	7,046,499
	22,945,298	13,290,182
Less dividends paid of 25¢ Can. funds and \$1.25 U.S. funds per share (1968 — 25¢ Can. funds per share).....	5,321,913	832,480
Balance at end of year	<u>\$17,623,385</u>	<u>\$12,457,702</u>

See accompanying notes to financial statements.

GRANISLE COPPER LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1969

(With comparative figures for 1968)

	1969	1968
Funds provided by:		
Operations:		
Net earnings for the year	\$10,487,596	\$7,046,499
Add depreciation, amortization and other charges not requiring cash expenditure	1,569,357	1,581,495
Funds provided by operations	12,056,953	8,627,994
Disposal of equipment	132,871	6,527
Reduction of non-current assets	197,071	(14)
Total funds provided	12,386,895	8,634,507
Funds applied to:		
Purchase of buildings and equipment	1,373,686	769,694
Repayment of deferred liabilities	—	6,534,588
Dividends paid	5,321,913	832,480
Total funds applied	6,695,599	8,136,762
Increase in working capital	5,691,296	497,745
Working capital at beginning of year	3,547,684	3,049,939
Working capital at end of year.....	\$ 9,238,980	\$3,547,684
Working capital:		
Current assets	\$10,003,124	\$4,024,623
Current liabilities	764,144	476,939
Working capital at end of year.....	\$ 9,238,980	\$3,547,684

See accompanying notes to financial statements.

GRANISLE COPPER LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1969

1. Property, plant and equipment:

Particulars of the cost of the property, plant and equipment are as follows:

	December 31,	
	1969	1968
Mineral claims	\$ 65,099	\$ 65,099
Land	23,839	23,839
Mine buildings and equipment	10,957,615	10,220,289
Automotive and other equipment	1,884,368	1,573,566
	<u>\$12,930,921</u>	<u>\$11,882,793</u>

Depreciation of the mine buildings and equipment has been calculated on the straight-line method at 8% on cost. Depreciation of the mobile equipment has been calculated on the diminishing-balance method at 30%. Amortization of pre-production expenditure has been calculated on the straight-line method at 20% as it is intended to amortize these costs over five years from November 16, 1966. The rates used are estimated to be sufficient to depreciate the assets to residual value by the expiration of their useful life.

2. Income taxes:

Under Section 83(5) of the Income Tax Act the company was granted an exemption from Federal Income Tax on its mining profits for the three years ended November 30, 1969. An exemption was also obtained from Provincial mining taxes to that date.

The Federal income taxes for the month of December 1969 of approximately \$360,000 have been deferred as more depreciation and amortization will be claimed for income tax purposes than that recorded in the accounts for the month. However, a provision for deferred income taxes is not necessary as the company had provided depreciation and amortization during its tax-free period which had not been claimed for income tax purposes. At December 31, 1969, the balance of depreciation and amortization which had been provided in the accounts during the tax-free period was approximately \$3,500,000.

3. Administration expenses:

Remuneration of directors and senior officers (as defined in the British Columbia Securities Act) amounted to \$113,681 in 1969.

4. Current assets in United States dollars have been converted into Canadian dollars at the rate of exchange prevailing at December 31, 1969.

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